


U.S. Department of Homeland Security
Eastern Region
Office of Disaster Assistance Oversight
10 Tenth Street, Suite 750
Atlanta, Georgia 30309



Homeland
Security

MEMORANDUM FOR: Jeff Byard
Director
FEMA's Transitional Recovery Office
Montgomery, Alabama

FROM: C. David Kimble 
Director
Eastern Regional Office

SUBJECT: *Review of Hurricane Katrina Activities*
Alabama Department of Conservation and Natural Resources
FEMA Disaster 1605-DR-AL
Report Number DA-07-07

We performed a review of emergency services, debris removal, and facilities repair costs associated with Hurricane Katrina for the Alabama Department of Conservation and Natural Resources (Department). The objective of the review was to determine whether the Department was properly accounting for disaster-related costs and whether such costs were eligible for funding under FEMA's disaster assistance programs. We analyzed the Department's disaster grant accounting system, reviewed its disaster costs and contracting policies and procedures, and interviewed FEMA and Department officials.

The Department received an award of \$20.8 million from the Alabama Emergency Management Agency, a FEMA grantee, for emergency protective measures, debris removal, and repair of facilities. The award provided 75 percent FEMA funding¹ for 26 large projects² and 35 small projects. Our review focused primarily on the \$17.7 million awarded and claimed under 11 large projects (see Exhibit). As of November 20, 2006, the Department had received \$16,487,273 of FEMA funds under the 11 projects.

RESULTS OF REVIEW

The Department had an effective system for accounting for disaster-related costs. A separate cost account had been established to record project expenditures and accounting entries could be

¹ For Category A and B projects (debris removal and emergency protective measures), FEMA provided 100 percent funding for the first 60 days of work, and 75 percent thereafter.

² Federal regulations in effect at the time of the disaster set the large project threshold at \$55,500.

systematically traced to supporting source documents. However, the Department's claim included \$65,409 (FEMA Share \$63,063) of excessive charges, as follows:

- Under debris removal Project 732, the Department claimed \$2,380,800 for contract costs associated with removing submerged debris deposited in the Mississippi Sound water bottom surrounding Dauphin Island. These costs included a \$50,000 charge by the contractor for mobilization activities. However, we question the \$50,000 because the contractor did not mobilize his own equipment and workers but instead hired local fisherman and shrimpers in the Gulf area who removed the underwater debris using their own drag nets. Moreover, the contractor could not provide us with a breakdown of costs incurred for mobilization.
- Under project 971, the Department's claim of \$129,117 for use of force account equipment was overstated by \$6,025. First, the Department claimed \$26,582 for use of various patrol boats. However, the Department inadvertently used the incorrect FEMA Schedule of Equipment rates to calculate usage costs for the equipment. Using the correct FEMA equipment rates, the claim for patrol boats should have been \$24,010, or \$2,572 less than the amount claimed.

Second, the Department claimed \$2,207 for repairs to vehicles and patrol boats. However, the Department used the FEMA Schedule of Equipment Rates to calculate its equipment claim, which includes operational costs of maintenance, fuel, repairs, and incidentals. Therefore, the \$2,207 for equipment repair costs is not separately eligible for reimbursement.

Finally, for the period August 29 to September 2, 2006, the Department's claim for boat and truck use exceeded operator hours by 47 hours. This occurred because some Department employees inadvertently claimed more hours for boat and truck use than hours actually worked. The costs associated with the excess 47 equipment hours totaled \$1,246.

- The Department received \$9,384 under several small projects to repair several flood-damaged buildings located in a special flood hazard area but not insured for flood losses. However, contrary to federal regulation (44 CFR § 206.252), the projects' eligible costs were not reduced by the maximum amount of insurance proceeds that would have been received had the buildings and contents been insured by FEMA's National Flood Insurance Program (NFIP). In this particular case, the maximum amount of flood insurance proceeds that would have been received had the buildings been insured by the NFIP was \$500,000. Accordingly, we question the \$9,384 awarded for repair of the buildings because the Department would have received adequate insurance proceeds to cover the damages had the buildings been insured by the NFIP. The projects and related questioned costs are, as follows:

<u>Project Number</u>	<u>Damaged Building</u>	<u>Amount Awarded</u>	<u>Amount Questioned</u>
838	Park Gate Office	\$5,000	\$5,000
1130	Marine Div. Office	3,343	3,343
1138	Marine Office Bldg	<u>1,041</u>	<u>1,041</u>
TOTAL		<u>\$9,384</u>	<u>\$9,384</u>

RECOMMENDATION

We recommend that the Director of the Montgomery Transitional Recovery Office, in coordination with the grantee, disallow the \$65,409 of questioned costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

We discussed the results of our review with Department, grantee, and FEMA officials on October 17, 2006. Department officials disagreed with our finding related to the \$50,000 mobilization charge. They said the charge should be allowed since it was included in the cost proposal submitted by the contractor. However, the contractor could not provide any documentation to show that costs for mobilization activities were incurred.

Please advise this office within 60 days of the actions taken or planned to implement the recommendation. Your response should be sent to:

U.S. Department of Homeland Security
Office of Inspector General – Audit
The Millennium Midtown
10 Tenth Street, Suite 750
Atlanta, GA 30309

Auditors Marvin Burr and Ronald Cummings performed this review. Should you have any questions concerning this report, please contact me at (404) 832-6701.

cc: Audit Liaison, FEMA
Audit Liaison, DHS
Chief Procurement Officer, DHS
Chief Financial Officer, DHS
Deputy Director, Gulf Coast Recovery
Chief Financial Director, Gulf Coast Recovery
Regional Director, FEMA Region IV

Alabama Department of Conservation and Natural Resources
FEMA Disaster No. 1605-DR-AL
Schedule of Claimed and Questioned Costs

Large Projects

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>
712	\$ 700,571	\$ 700,571	
729	3,929,520	3,929,520	
731	910,009	910,009	
732	2,380,800	2,380,800	\$50,000
787	1,702,099	1,702,099	
917	347,000	347,000	
943	704,760	704,760	
971	264,467	264,467	6,025
1082	2,697,093	2,697,093	
1089	3,158,006	3,158,006	
1091	<u>980,349</u>	<u>980,349</u>	
Sub-total	<u>\$17,774,674</u>	<u>\$17,774,674</u>	<u>\$56,025</u>

Small Projects

838	5,000	5,000	5,000
1130	3,343	3,343	3,343
1138	<u>1,041</u>	<u>1,041</u>	<u>1,041</u>
Sub-total	<u>\$ 9,384</u>	<u>\$ 9,384</u>	<u>\$9,384</u>
TOTAL	<u><u>\$17,784,058</u></u>	<u><u>\$17,784,058</u></u>	<u><u>\$65,409</u></u>